

## Message Text

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PAGE 01 BRUSSE 10922 311155Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-03 INR-07 NSAE-00 SP-02 STR-04 TRSE-00 LAB-04  
SIL-01 OMB-01 DODE-00 PA-01 USIA-06 PRS-01 SS-15  
NSC-05 L-03 H-01 ABF-01 /082 W  
-----127958 312004Z /62

R 311151Z AUG 77  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 1584  
INFO ALL EC CAPITALS  
AMEMBASSY STOCKHOLM

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USEEC  
PARIS ALSO FOR USOECD  
E.O.11652:N/A  
TAGS: EFIN, EEC  
SUBJECT: SCANDINAVIAN DEVALUATIONS: EC COMMISSION  
REACTION

1. SUMMARY: THE EC COMMISSION HAS ISSUED A STATEMENT  
DEPLORING THE FAILURE TO CONSULT ON MOST RECENT SNAKE  
DECISIONS. UNOFFICIALLY, THE COMMISSION SEES THE  
SCANDINAVIAN DEVALUATIONS AS ECONOMICALLY JUSTIFIED, BUT  
EXPRESSES SOME CONCERN OVER SNAKE EROSION. DANES ALSO  
PROPOSE CHANGE IN THEIR GREEN RATE. END SUMMARY

2. PUBLICLY, THE EC COMMISSION'S REACTION TO THE  
SCANDINAVIAN DEVALUATIONS WAS LIMITED TO A PREDICTABLE  
PROTEST OVER THE LACK OF PRIOR CONSULTATION WITH THE  
COMMUNITY. THE COMMISSION HAS LONG FELT THAT THE ROME  
TREATY AND THE COUNCIL DECISION OF FEBRUARY 18, 1974  
CALL FOR THE COMMUNITY AS A WHOLE - INCLUDING, OF COURSE,  
THE COMMISSION - TO BE CONSULTED IN DECISIONS TO ALTER  
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PAGE 02 BRUSSE 10922 311155Z

SNAKE PARITIES. THE COMMISSION IS DISCOURAGED THAT  
BELGIAN PRESIDENCY PROPOSAL TO BRING COMMISSION REP INTO  
SNAKE MEETINGS (STATEMENTS BY FINANCE MINISTER GEENS  
AND BY FOREIGN MINISTER SIMONET TO EUROPEAN PARLIAMENT  
JULY 6) HAS NOT YET BORN FRUIT.

3. UNOFFICIALLY, COMMISSION EXPERTS HAVE NO QUARREL

WITH THE PARITY CHANGES THEMSELVES; THE SWEDISH MOVE IN PARTICULAR WAS VIEWED AS INEVITABLE, IN VIEW OF THE LARGE SWEDISH DEFICIT AND THE LOSS OF SWEDISH PRICE COMPETITIVENESS, WHICH HAD ONLY PARTIALLY BEEN COMPENSATED FOR BY THE EARLIER RE-ALIGNMENTS THIS YEAR. THE SIZE OF THE ADJUSTMENT SEEMS ABOUT THE RIGHT ORDER OF MAGNITUDE, ON THE ASSUMPTION THAT THE SWEDISH AUTHORITIES WILL BE REASONABLY SUCCESSFUL IN RESTRAINING INTERNAL PRICE REACTIONS. SOME ADJUSTMENT OF THE DANISH PARITY ALSO SEEMED NEEDED IN VIEW OF THEIR WEAK EXTERNAL POSITION. THE NORWEGIAN MOVE WAS PROBABLY NEEDED TO CUSHION THE EFFECT OF THE SWEDISH DEVALUATION ON THE COMPETITIVE POSITION OF NORWEGIAN EXPORTERS.

4. COMMISSION SOURCE SUGGESTS THAT SWEDISH DEPARTURE FROM SNAKE MAY HAVE BEEN IN PART A REACTION TO RELUCTANCE OF SNAKE PARTNERS TO AGREE TO ADEQUATE DEVALUATION, RECALLING THAT SWEDES HAD EARLIER THIS YEAR WANTED A MORE SUBSTANTIAL DEVALUATION, BUT BOWED TO PRESSURE FROM SNAKE PARTNERS. IN ANY CASE, NO RETURN TO SNAKE IS FORESEEN IN FORESEEABLE FUTURE. COMMISSION DOES NOT REGRET THE LOSS OF SWEDEN TO SAME DEGREE THAT IT WOULD THE DEPARTURE OF A MEMBER STATE, BUT THERE IS SOME CONCERN THAT SWEDISH DEPARTURE MIGHT WEAKEN DANISH RESOLVE TO STAY IN SNAKE.

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PAGE 03 BRUSSE 10922 311155Z

5. DANES ALSO REQUESTED IMMEDIATE ADJUSTMENT OF THE GREEN KRONE, AS THEY HAVE DONE ON THE OCCASION OF PAST DEVALUATIONS TO AVOID APPLICATION OF THE MONETARY COMPENSATION MECHANISM. HOWEVER, THIS WAS NOT IMMEDIATELY ACCEPTED BY OTHER MEMBER STATES, AND WILL BE DISCUSSED AGAIN NEXT WEEK. MORRIS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEVALUATIONS, FOREIGN EXCHANGE RATES, RELATIONS WITH REGIONAL ORGS  
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**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BRUSSE10922  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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